



Wrocław, 18 March 2024

*Dear Shareholders,*

On behalf of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A., I hereby present you the Annual Report of the KOGENERACJA S.A. Capital Group, which presents the financial results and material events in 2023.

In the past year, KOGENERACJA S.A. Group implemented its Business Strategy planned for the period from 2022 to 2026, which included three main objectives: generating eco-friendly energy, providing modern energy services, and ensuring operational efficiency. In line with our pledge, we plan to reduce our environmental impact by cutting 15% of CO<sub>2</sub> emissions by 2026 and to move away from coal altogether by 2030.

Our key project remains the construction of a new gas-fired CHP plant in Siechnice, which will replace the current coal-fired unit. In 2023, the gas connection was completed, four gas-fired peak, reserve boilers, and a heat accumulator were commissioned, while the gas-steam unit is due to be commissioned in the next phase of the project. With the use of modern technology and gas as a fuel, the production of heat and power will be carried out in Siechnice in an efficient and environmentally friendly manner.

Last year, we completed a major upgrade project at the Zawidawie CHP plant supplying heat to consumers in the eastern part of Wrocław. Thanks to the installation of two cogeneration units and the commissioning of sixty solar thermal collectors, the electrical and thermal output of this plant has increased, and the district heating system supplying the area from Zawidawie CHP has gained the status of an energy-efficient unit.

Work to future-proof Wrocław CHP also gained more momentum in the past year. The production unit located in the city centre and generating energy exclusively from coal will gain new equipment using low- and zero-carbon technologies by 2030. The installation of gas-powered cogeneration units, water boilers, electric industrial heat pumps, and electrode water boilers will not only have a positive impact on the environment but will also guarantee the security of energy supply to our consumers for years to come. In 2023, KOGENERACJA S.A. signed an agreement with Polska Spółka Gazownictwa to increase the volume of gas supplied, which will fully secure our needs arising from our investment plans.



KOGENERACJA S.A. and EC Zielona Góra S.A. produce electricity in cogeneration with heat, so an important aspect of the business is to maintain the volume of heat sold to customers. Both companies are determined to make investments in the connection of heat consumers to district heating systems. In 2023, thanks to the heat network development projects carried out, 134 facilities with a total capacity of 41.3 MWt were connected in Siechnice and Zawidawie area, as well as in Wrocław with cooperation with a heat distributor, and 27 nodes with a total capacity of 6.3 MWt were connected in Zielona Góra.

Another noteworthy fact is that last year, the expansion of the network supplied from the Wrocław plant located in Zawidawie and the construction of a district heating network in Siechnice and in Święta Katarzyna continued. Both tasks are co-financed by the Operational Programme Infrastructure and Environment 2014–2020, under agreements entered into with the National Fund for Environmental Protection and Water Management.

In EC Zielona Góra, 1.8 km of new heat network sections were completed as part of new connections. Investments have been made in extending the network for areas of the city with a high potential for heat demand. In 2023, planned renovations were carried out on production assets. The works ensured that the equipment was operational for the 2023/2024 heating season.

In 2023, the KOGENERACJA S.A. Group generated a consolidated net result amounting to PLN 257 million, which was PLN 105 million higher than the result achieved in 2022. KOGENERACJA S.A. achieved a net result of PLN 179 million and EC Zielona Góra S.A. — a net profit of PLN 82 million. Very important for the Group's financial results was the price of electricity sales and the increase in consolidated revenues on this account by PLN 808 million, of which over 600 million was generated by Zielona Góra CHP.

Due to changes in the regulatory environment, the Group was subject to the Emergency Measures Act to cap electricity prices and provide relief to certain customers, which sets a maximum electricity price for the period from 1 December 2022 to 31 December 2023. The estimated impact of the write-down on the Price Difference Payment Fund was recognised in cost of sales in the amount of PLN 554.1 million, which significantly reduced the profitability of electricity sales.

The PLN 430.1 million higher revenue from heat sales in 2023 was mainly the result of higher average heat sales prices at the same time as lower sales volumes due to higher average temperatures in 2023.

Despite a 7% decrease in the Group's CO<sub>2</sub> emissions compared to 2022, the Group continues to incur high costs related to the purchase of CO<sub>2</sub> emission allowances. In 2023, they amounted to PLN 715 million and were higher by PLN 207.4 million or 41% as compared to 2022.



The Group's result was significantly impacted by the recognition of a non-recurring item relating to the estimate of costs for the possible reimbursement of a gas surcharge by a subsidiary in the amount of PLN 126.7 million, in connection with the annual adjustment of costs arising at units fuelled by natural gas for the years 2022 and 2023.

I am convinced that 2024 will bring new challenges. The most important of these for us will be the commissioning of the gas/steam unit at the Siechnice CHP plant, the preparation of further measures for the Wrocław CHP project, and our continued active participation in developing the heat market to improve air quality in the Wrocław urban agglomeration.

Yours sincerely,

Dominik Wadecki

President of the Management Board  
of KOGENERACJA S.A.